Annual Investment Report

State & County Employees Retirement System and State Deferred Compensation Plans

March 2004

Nebraska Public Employees Retirement Systems

IMPORTANT INFORMATION

*For **administrative questions**, contact:*

Nebraska Public Employees Retirement Systems

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Securities offered exclusively through Raymond James Financial Services, Inc. Member NASD/SIPC

The State of Nebraska has a contract with Sterling Financial Advisors, LLC, to answer your retirement questions. Sterling can provide information about the investment options, talk about asset allocation or just "hold your hand" during difficult markets. Sterling is paid to help you make good choices, not to push products.

*For **account information**, to request a **statement of account**, or to make **investment election changes** or **investment tranfers**:*

- Access NPERS' automated voice response system at **800-449-2696** or **402-467-6925**;
- Enter changes through Ameritas' Pension Access On-Line via NPERS' web site at **www.npers.ne.gov**;
- Complete a change form, available through your employer or downloaded from NPERS' web site, and submit to NPERS:
  - State and County Plans - Investment Election Form #NPERS2500
  - Deferred Compensation Plan - Change Form #NPERS8400, or
- Call NPERS at **800-245-5712**.

*To use the **voice response system** or NPERS' **web site**, you must know:*

- Your Social Security number;
- Your Plan number:
  - State Plan **#002002**
  - Deferred Compensation Plan #**002000**
  - County Plan **- each county has a number**
- Your Personal Identification Number (PIN). If you do not know your PIN or did not assign yourself one when you enrolled in the plan, you must complete a form, available from your employer or NPERS' web site, and submit to NPERS:
  - State and County Plans - PIN Request Form #NPERS1360
  - Deferred Compensation Plan - Change Form #NPERS8400

March 2004

To: State and County Plan Members

From: Anna J. Sullivan, Director
Nebraska Public Employees Retirement Systems

We have faced many changes this year in the State and County Retirement Plans. First, we had nearly one-third of the membership elect to join the new Cash Balance benefit effective January 1, 2003. Also, all new members to the State and County Plans are required to be enrolled in the Cash Balance benefit. The result of this change long term will be declining enrollment in the Defined Contribution benefit within these Plans. This does not mean services to Defined Contribution members will change or decline in any way. In fact, through our partnership with Ameritas Life Insurance, we have strived for improved access for members to monitor their retirement accounts. Members can use the web to set up access to review, change investments, allocations or monitor performance. If you have not set up access to your account and would like to, please call NPERS if you need assistance.

The second change this year was the implementation of an asset charge of 10 basis points by our office in order to fund our office expenses. There were a couple of reasons for this change. First was the decline in forfeiture dollars due to a shorter vesting schedule adopted by the Legislature in 2002. Members now vest (qualify for State/County employer matching dollars) after two years of Plan participation rather than the original five year vesting. The portion of our office expenses attributable to the State and County Defined Contribution benefit has always been funded by these forfeitures. So, the decline in forfeitures has impacted us greatly. The change also to implement the Cash Balance benefit means all new employees will be enrolling in the Cash Balance benefit and so the forfeitures generated must be used exclusively for the Cash Balance expenses.

We have been greatly pleased by the market turnaround in the past year or so. All of you who have some of your funds in our various stock funds should be seeing a rebound in the value of your funds. Keep in mind the nature of the markets and the inherent volatility you will experience. Your focus should be for the long term and keeping your funds well diversified (not having all your funds in “one basket”) will avoid extreme fluctuations in the value of your funds.

It is a good time to remind you to sign up for one of our retirement or planning seminars this fall. Also, please consider enrolling in our voluntary Deferred Compensation Plan (DCP) to set aside additional funds for retirement. Under current law, you can contribute as little as $25 per month to DCP or as much as $13,000 in 2004.

In the coming year I urge you to do some personal planning for your future. *Do not put it off!* Tomorrow may be too late to start building a nest egg for yourself and your family.

Table of Contents

Investment Basics

BUILD A SECURE RETIREMENT

by Mary Jochim
Sterling Financial Advisors

It is an unfortunate fact that many Americans spend less time planning for their retirement than planning for their vacations. All it takes is a little time, some thoughtfulness – and a clear understanding of the myths that hinder us from building a secure retirement. After all, your retirement should be the best vacation of your life.

Consider the following myths:

Myth #1: I'm too young to worry about retirement...

News Flash. You won't stay young. You're never too young to make plans. You may also think you are going to be just a short-timer in state or county government, so why bother. Others have thought that too, only to surprise themselves some 20 or 30 years later that they turned out to be a "lifer" in government. Even if you leave government service, it is imperative you maximize your retirement plan each and every year, no matter where you work. Pay attention. Ask questions. Besides your mandatory retirement plan, the Defined Contribution benefit (or the more recent introduced Cash Balance benefit), you also have a *voluntary* 457 Deferred Compensation Plan (DCP) where you can put aside extra dollars on a tax deferred basis. The sooner you begin saving for retirement, and taking advantage of offerings like the 457 Plan, the less you'll have to put aside. For example, if you want to have a $200,000 additional nest egg by age 65, you'll only have to save about $26 a week if you start at age 35. But if you wait until you're 55 to start, you'd have to put aside $233 every week. You can do this the easy way by *starting now*, no matter what your age.

(Both cases assume your money is invested earning a hypothetical 9% return. This example is for illustrative purposes only and is not intended to reflect the actual performance of any security. Investing involves risk and you may incur a profit or a loss.)

Myth # 1.5: It's too late for me. All my time to save is gone...

If that were true, you wouldn't be reading this.

Myth #2: I won't need much to live on...

Wow. Beans and wieners. That sounds like fun! Many experts estimate that, on average, to maintain your standard of living in retirement, you'll need 60 to 80 % of your pre-retirement income. And that income has to continue to grow enough in an attempt to keep up with inflation. Don't just read this paragraph - do the math. How much money will you need?

Myth #3: My kids will take care of me...

Good luck! This is not a strategy for most reasonably sane people. Most children might want to lend their aging parents a hand, but many can't afford to. About the time you're ready to retire, your children could be paying their children's college tuition – and saving for their own retirement. You'd be wise, therefore, to leave the kids out of your plans. They will appreciate it.

Myth #4: Social Security will take care of me...

What world have you been living in? It's unwise to expect Social Security to cover all your costs. Depending on your income level, you may find that Social Security might replace as much as 50% to as little as 20% or less of your current income. It is not enough. Take a moment and visit the Social Security web site **www.ssa.gov** and find out how you can get a personalized estimate.

Myth #5 **I can't afford to put money away where I can't touch it for many years...**
The truth is, you can't afford *not* to participate in tax deferred retirement plans! Thank goodness your basic retirement plan is mandatory or some would not even contribute to a plan where there was a generous employer match, which amounts to "free money," if it meant less money in their pocket. Contributions to the voluntary 457 Deferred Compensation Plan (DCP), as well as various IRAs, ROTHs and the like can reduce your current tax burden or provide tax-free withdrawals and significantly improve your nest egg. In addition, taxes are also deferred on earnings, so retirement savings have the potential to grow faster than others do. Sign up now!

What else should you do?

A comfortable retirement requires looking the facts squarely in the face – yourself in the mirror – and creating a realistic plan that works for you. Take advantage of the many educational resources available. Attend a Personal Planning Seminar offered by the Nebraska Public Employees Retirement System (NPERS). Of course, this brief article is no substitute for a careful analysis of your personal circumstances. Before implementing any significant tax or financial planning strategy, contact your financial advisor, attorney or tax advisor as appropriate.

COMMON INVESTMENT PRINCIPLES TO LIVE BY

Perseverance. Patience. Persistence. While these words were once limited to the battle cries for military organizations and football teams across the country, they were recently the mantra for investors ravaged by the latest bear market. But that particular bear market mauled so many money maxims that talking the talk is certainly much easier than walking the walk. However, there are common principles no matter what maxim you choose.

There are two times when people forget their investment principles - at the top of the market and the bottom of the market. Keep in mind, there have been 30 bear markets in the last 100 years and each one was followed by a recovery. If you are an investor concerned with protecting your portfolio in the future from more stock market volatility, below are some basic principles that have stood the test of time.

- **Formalize your goals.** As with the achievement of any goal, commitment to it is half the battle. Make your dedication official by writing your goals down, both short- and long-term. You can then check your progress by updating them annually. If not, how else will you know if you're close to attaining them? Remember, if you don't know where you are going, any road will get you there.

- **Stay balanced.** Build a well-diversified portfolio using different assets classes, like stocks, bonds, money markets, etc., and investments that are designed to complement each other and may not move in the same direction at the same time. Over all, your investment portfolios, savings, retirement and taxable investments should be comprised of cash equivalents, bonds, equities, real estate and tangibles. If you are not comfortable making such decisions, take a good look at some of the pre-mixed funds offered as options in your Defined Contribution benefit or the 457 Deferred Compensation Plan (DCP). These diversified "pre-mixed" funds do most of the work for you including rebalancing as necessary to keep your asset allocation on target.

- **Reassess your risk tolerance.** Amidst market turmoil, you may realize you don't quite have the stomach for volatility you originally thought. If that's the case, move incrementally over time toward a more appropriate investment mix. Again, this is where a well-diversified portfolio can help. It will offset instability and put you on the path toward achieving your financial goals.

- **Use dollar cost averaging.** Dollar cost averaging means investing the same amount on a regular basis, done over time throughout various market cycles by buying more when the price is low and less when the price is high. The higher the unit price, the less units your dollar buys. The lower the unit price, the more units your dollar buys.

Price of Shares		**$2,000 Each Month Buys**	**$10,000 Lump Sum Buys**
Month 1	$1.80	1,111 shares	5,556 shares
Month 2	$1.20	1,667 shares	——
Month 3	$1.85	1,081 shares	——
Month 4	$1.35	1,481 shares	——
Month 5	$1.90	1,053 shares	——
		6,393 shares	**5,556 shares**

- The “magic” of dollar cost averaging is that you can end up with an *average* purchase price that is *less than* the average price over the time period. Over the five month period shown above, the price of shares of stock averaged $1.62 a share. However, the average purchase price was $1.56 a share ($10,000/6,393). By investing each month, more shares were bought when the price was low, fewer when the price was high, resulting in more shares for your money!!

  Dollar cost averaging does not insure an investor of a profit.

- **Prepare for the long haul.** There are few guarantees in life, but one thing you can be sure of is market volatility. That’s why it’s important for you to ignore the everyday ups and downs of the market and stay focused on the long term. Don’t try to time the market. History shows this is one of the worst things an investor can do because they usually don’t do it well. You have to be right twice in timing the market, once in knowing when to get out and then, twice knowing when to get back in. Knee-jerk reactions could make things even worse. Remember time is on the side of the prudent, well-diversified investor. It’s not timing the market that matters; it is time in the market. Peter Lynch, a well-respected investment professional, has stated “When it’s 15° below in Minnesota they don’t panic - they just wait until spring.” Substitute “Nebraska” for “Minnesota” and you get the point. That’s great advice for a bear market. The bear will go back into hibernation.

It's Time To Talk About Asset Allocation

It's not enough just to invest. You need to choose the right mix of investments to meet your goals. Allocating your assets means deciding how to spread your money among the numerous options provided. This applies to the State and County Retirement Plans, the 457 Deferred Compensation Plan (DCP), or any County's 457 plan, as well as your other outside investments.

For your member contributions in the State or County Plan, Defined Contribution benefit, you have 11 different choices. State employees participating in the voluntary 457 DCP Plan (in which every one should be!) have those identical 11 choices. Counties have their own investment choices.

These are clichés, but asset allocation is all about "not putting your eggs in one basket," "hedging your bets," "playing the field" and so on. Diversify. Diversify. Diversify. Approximately 95% of your return will come from that one decision. (P.S. this gets more interesting.)

To Diversify Using Stock Investments, You Have the Following Choices:

- **Large Company Value Stock Index Fund –** generally slower growing, often less volatile, hedge against inflation
- **Large Company Growth Stock Index Fund –** faster growing, hedge against inflation, but more volatile
- **Small Company Stock Fund –** fastest growing, more "cutting edge," hedge against inflation but much more volatile
- **S&P 500 Stock Index Fund –** 500 largest companies, mix of growth and value, hedge against inflation, and often less volatile
- **International Stock Fund –** divergent returns from U.S. Markets, hedge against inflation with greater volatility

For Investing in Fixed Income, You Have the Following Choices:

- **Money Market Fund –** Lower rates of return (follows interest rate changes more quickly with no negative price volatility)
- **Stable Value Fund –** Higher interest rate and no volatility (return follows interest rate change gradually with no negative market volatility)
- **Bond Market Index Fund –** Variable returns both positive and negative, returns that balance stock returns with higher/lower returns sometimes in the opposite direction. (Return varies with moves in interest rate changes quickly and is more volatile.)

You will find additional information later in this booklet on each of the options listed above. More information about the terms used is available in the glossary. Please take time to study it.

Pre-Mixed Funds

You know that for your member contributions you can choose among the eight choices on pages 11 and 12, and/or the following three "pre-mixed" funds. For the employer match you have a similar set of three choices, pre-mixed as well, just with different names. You can think of all of these pre-mixed funds as a cake from a bakery or a car just off the assembly line. You can select the flavor or color but in either case, the work has been done for you and you are good to go.

The three pre-mixed funds for your employee contributions and the employer match are as follows (along with the allocation percentages between fixed income funds and stock funds). For example, in the Employer Moderate Fund, 50% will be invested in the fixed income funds…50% in the funds with stock investments.

By selecting among the pre-mixed choices, you have made an asset allocation. Within that asset allocation, each fund itself is diversified! Congratulations!

Funds	Bonds/Stocks	Funds	Bonds/Stocks
Employer Conservative Fund	75% / 25%	Conservative Pre-Mixed Fund	75% / 25%
Employer Moderate Fund	50% / 50%	Moderate Pre-Mixed Fund	50% / 50%
Employer Aggressive Fund	25% / 75%	Aggressive Pre-Mixed Fund	25% / 75%

The Bottom Line

The Pre-mixed Funds automatically adjust to changing market conditions. That is very powerful!

Here is an example. You selected the Aggressive Pre-Mixed Fund because you felt a larger exposure to stocks was right for you (75%) but you still wanted some fixed income investments (25%). Time goes by and the stock market has been very rewarding. So much so that your account now has 83% stocks and only 17% fixed income. That's out of balance. The fund will sell some of the stocks (thus selling high) and invest in more fixed income (buying low).

Think of a bad stock market. You are down to 60% stock, 40% in fixed income. To re-balance, more stock will be purchased (thus buying low) and fixed income sold to return the pre-mix to 75% stock and 25% fixed income.

All without having to think about it. It makes buying low and selling high a breeze.

Risk Related to Return

- **Low Risk Investing** (Conservative Investment Model) has less change up and down in value, less risk of capital losses during any given time period, more risk of under-performance over time, more loss of purchasing power over time, and historically lower rates of return.

- **Moderate Risk Investing** (Moderate Investing Model) has more change up and down in value, more risk of capital losses during difficult markets periods, less risk of under-performance over time, less risk of loss of purchasing power, and historically higher rates of return.

- **High Risk Investing** (Aggressive Investing Model) has frequent changes up and down in value, some changes in value can be large, more risk of capital losses over shorter periods of time, less risk of under-performance over time, less risk of loss of purchasing power over time, and historically the highest rates of return over time.

Conservative Investing Model

- *Emphasis:* Safety and Stability
- *Retirement Horizon:* 5-10 years
- *Goal:* Preservation of principal with competitive returns
- *Risk:* Low

Moderate Investing Model

- *Emphasis:* More stability in an “up and down” market
- *Retirement Horizon:* 10-20 years
- *Goal:* Growth and current income
- *Risk:* Moderate

Aggressive Investing Model

- *Emphasis:* Build assets and protect against inflation
- *Retirement Horizon:* 20+ years
- *Goal:* Capital appreciation
- *Risk:* High

Examples of:

Low Risk	**Moderate Risk**	**High Risk**
Employer Conservative Fund	Employer Moderate Fund	Employer Aggressive Fund
Money Market Fund	Bond Market Index Fund	S&P Stock Index Fund
Stable Value Fund	Moderate Premixed Fund	Large Company Growth Fund
Conservative Premixed Fund		Large Company Value Fund
		Aggressive Premixed Fund
		International Stock Fund
		Small Company Stock Fund

More on Diversification

By diversifying — choosing a wide variety of investments — you minimize the volatility of your overall account. While it will prevent you from being 100% right, more importantly it prevents you from being 100% wrong. Using the eight options, you can tailor the investment mix to what best suits your needs. All you need to do is study the information. Ask questions. Think about your comfort level with risk, both market risk and inflation, years to retirement and other investments, just to name a few considerations.

First Investor

Invests $10,000 once in a lump sum, invested for 25 years and earns an 8% fixed rate of return.

Amount Invested	Rate of Return	Ending Value
$10,000	8%	$68,500

Total Accumulation: $68,500

Second Investor

Invests $10,000 each at 5 different times in 5 different investments, invested for 25 years and earns variable rates of return.

Amount Invested	Rate of Return	Ending Value	
$2,000	-100%	$0	(Total Loss)
$2,000	0%	$2,000	
$2,000	5%	$6,800	
$2,000	10%	$21,700	
$2,000	15% *	$65,800	

Total Accumulation: $96,300

***** Average Annual return

The Second Investor has $27,800 more in spite of losing 100% of one investment and receiving a 0% return on the second investment.

Easy Does It!

Would you like to make all that a little easier? Check out the “pre-mixed” funds on the following page. Most of the work will have been done for you. (That’s my idea of a good life.) By selecting one of the pre-mixed options, you have succeeded in that adage to “diversify, diversify, diversify.” Plus you’ll gain one additional advantage. But you’ll have to read further to find out what.

You Are In Control

Some things are out of *our* control, or just "out of control." When it comes to retirement, you control all three of the most important factors that determine how much you'll have when you retire.

1. **Start saving. Start saving more.** You control the amount of money you set aside each month. The State or County Retirement Plan is a start. But only a start. You'll need more than Social Security and your State or County retirement check. The money has to come out of your pocket. Start saving. Start saving more. Check out the State's 457 Deferred Compensation Plan (DCP) or your County's 457 plan. It is a fantastic way to save on a pre-tax basis. Use IRAs, Roths... just get going!

2. **When you retire**. The later your retirement is, the easier it will be to reach your goals.

3. **Asset allocation**. It is the key decision you make.

Whether you select your own asset allocation or take advantage of the selection made for you in a pre-mixed fund, get going.

If you'd like to talk to someone about your situation, NPERS has a contract with **Sterling Financial Advisors**, a registered investment advisor, to do just that. Sterling Financial may be able to provide you with some of the pros and cons of various investment options, market outlooks and some guidelines to consider. While no one can advise you what you should do, it can be very helpful discussing your options with professionals. You can reach Sterling at **877-970-9300** or in Omaha at **402-970-9300**.

With all this concern about risk, we thought it would be interesting to put things in perspective.

WHAT ARE THE ODDS...

...that you'll win the state lottery?	1 in 4 million
...that you'll be killed by a plane falling on you?	1 in 300,000
...that you'll one day receive a new identity under the U.S. Witness Security Program?	1 in 20,000
...that you'll be killed in a plane crash?	1 in 4,000
...that you'll crush a finger with a hammer this year?	1 in 3,000
...that you have a fish or shellfish allergy?	1 in 1,000
...that the airlines will lose your luggage?	1 in 186
...that you'll be audited by the IRS?	1 in 100
...that you'll be killed in a car accident?	1 in 42
...that your next meal will be from McDonald's?	1 in 8
...that it's just tap water when you buy bottled water?	1 in 4
...that if you call the IRS for tax assistance, no one will answer your call?	1 in 3
...that you'll experience back pain sometime during the next 6 weeks?	1 in 2
...that nuclear weapons are based in your state?	1 in 2
...THAT AN INVESTMENT IN STOCKS WILL MAKE MONEY IN ANY GIVEN YEAR?	**7 in 10**
...that you'll regain weight you lost by dieting?	9 in 10

Source: Larry Laudan, Danger Ahead. The Risks You Really Face on Life's Highway

Fund Details

EMPLOYER CONSERVATIVE FUND

December 31, 2003

Investment Objective: Through a combination of 25% stocks and 75% fixed income investments, this fund is designed to provide a diversified, conservative strategy with emphasis placed on fixed income to obtain lower volatility and market risk.

Investment Style: This fund consists of a mixture of some of the other investment choices available in the Plan. The target allocation for this fund is shown in the chart at the right.

Performance Thru 12/31/03

	Fund*	Lehman Aggregate	S&P 500 Index	SSgA Money Market	Russell 2000 Stock Index	MSCI EAFE
One Year	10.2%	4.1%	28.7%	1.1%	47.3%	38.6%
Three Years	4.0	7.6	-4.1	2.4	6.3	-2.9
Five Years	N/A	6.6	-0.6	3.7	7.1	-0.1

*Time-weighted rates of return, net of investment fees.

Target Allocation:

	Target	Holdings
S&P 500 Stock Index Fund	16.0%	17.1%
Small Company Stock Fund	4.0	4.3
International Stock Fund	5.0	5.5
Bond Market Index Fund	37.5	36.7
Money Market Fund	37.5	36.4

Portfolio Analysis: Portfolio Assets $20.3 M

For additional information, please refer to the fact sheets on the individual funds: S&P 500 Stock Index Fund, Small Company Stock Fund, Bond Market Index Fund, and Money Market Fund.

Manager: S&P 500 Stock Index Fund, Bond Market Index Fund, and Money Market Fund are managed by State Street Global Advisors, and Small Company Stock Fund is managed by Dimensional Fund Advisors.

Annual Investment Fee: Approximately 0.13%

EMPLOYER MODERATE FUND

December 31, 2003

Investment Objective: Through a combination of 50% stocks and 50% fixed income investments, this fund is designed to provide a diversified, balanced strategy with the investment split equally between equities with their higher expected returns and fixed income investments with their lower volatility market risk.

Investment Style: This fund consists of a mixture of some of the other investment choices available in the Plan. The target allocation for this fund is shown in the chart at the right.

Performance Thru 12/31/03:

	Fund*	Lehman Aggregate	S&P 500 Index	SSgA Money Market	Russell 2000 Stock Index	MSCI EAFE
One Year	17.8%	4.1%	28.7%	1.1%	47.3%	38.6%
Three Years	2.9	7.6	-4.1	2.4	6.3	-2.9
Five Years	N/A	6.6	-0.6	3.7	7.1	-0.1

*Time-weighted rates of return, net of investment fees.

Target Allocation:

	Target	Holdings
S&P 500 Stock Index Fund	32.0%	33.4%
Small Company Stock Fund	8.0	8.3
International Stock Fund	10.0	10.7
Bond Market Index Fund	37.5	35.8
Money Market Fund	12.5	11.8

Portfolio Analysis: Portfolio Assets $383.1 M

For additional information, please refer to the fact sheets on the individual funds: S&P 500 Stock Index Fund, Small Company Stock Fund, Bond Market Index Fund, and Money Market Fund.

Manager: S&P 500 Stock Index Fund, Bond Market Index Fund, and Money Market Fund are managed by State Street Global Advisors, and Small Company Stock Fund is managed by Dimensional Fund Advisors.

Annual Investment Fee: Approximately 0.16%

EMPLOYER AGGRESSIVE FUND

December 31, 2003

Investment Objective: Through a combination of 75% stocks and 25% fixed income investments, this fund is designed to provide a diversified, aggressive strategy with the emphasis placed on equities with their higher expected returns for participants comfortable with assuming greater market risk and volatility.

Investment Style: This fund consists of a mixture of some of the other investment choices available in the Plan. The target allocation for this fund is shown in the chart at the right.

Performance Thru 12/31/03:

	Fund*	Lehman Aggregate	S&P 500 Index	Russell 2000 Stock Index	MSCI EAFE
One Year	25.8%	4.1%	28.7%	47.3%	38.6%
Three Years	0.9	7.6	-4.1	6.3	-2.9
Five Years	N/A	6.6	-0.6	7.1	-0.1

*Time-weighted rates of return, net of investment fees.

Target Allocation:

	Target	Holdings
S&P 500 Stock Index Fund	48.0%	48.9%
Small Company Stock Fund	12.0	12.2
International Stock Fund	15.0	15.6
Bond Market Index Fund	25.0	23.3

Portfolio Analysis: Portfolio Assets $49.0 M

For additional information, please refer to the fact sheets on the individual funds: S&P 500 Stock Index Fund, Small Company Stock Fund and Bond Market Index Fund.

Manager: S&P 500 Stock Index Fund and Bond Market Index Fund are managed by State Street Global Advisors, and Small Company Stock Fund is managed by Dimensional Fund Advisors.

Annual Investment Fee: Approximately 0.19%

MONEY MARKET FUND

December 31, 2003

Investment Objective: The Money Market Fund seeks to maximize current income while preserving capital and liquidity through investing in a diversified portfolio of short-term securities. The Fund's yield reflects short-term interest rates. Contributions to the Fund are invested in the State Street Short-Term Investment Fund.

Investment Style: Investments are managed conservatively by investing only in high quality, short-term instruments such as U.S. government and agency obligations, commercial paper, repurchase agreements, bankers acceptances, certificates of deposit, time deposits and other fixed income investments.

Performance Thru 12/31/03:

	Fund*	3 Month US Treasury Bills
One Year	1.1%	1.2%
Three Years	2.4	2.4
Five Years	3.7	3.6

* Time-weighted rates of return, net of investment fees.

Quality Diversification:

A1+/P1	87.8%
A1/P1	12.2
A2/P1	0.0

Sector Weightings:

Bankers Accept., CDs	27.9%	Agencies	12.1%
Commercial Paper	32.9	Floating Rate Agencies	3.0
Floating Corp. Notes	9.5	Bank & Corporate Notes	1.5
Repurchase Agreements	13.1		

Characteristics:

Portfolio Assets	$46.9 B
Average Quality	A1+/P1
Average Maturity	65 Days
Current Yield	1.1%

Manager: State Street Global Advisors is a subsidiary of State Street Bank and Trust Company located in Boston, Massachusetts.

Annual Investment Fee: Approximately 0.13%

STABLE VALUE FUND

December 31, 2003

Investment Objective: The investment objective of the Stable Value Fund is to preserve principal value and earn a competitive yield. The Fund accommodates participant withdrawal without penalty.

Investment Style: The Stable Value Fund invests in Guaranteed Investment Contracts (GICs), Synthetic Investment Contracts (SICs), and other fixed income instruments. GICs are deposits with GIC issuers that feature repayment of deposits plus interest according to a predetermined schedule. SICs are portfolios of high quality fixed income instruments that are “wrapped” by issuers. SIC wraps are designed to accommodate qualified participant withdrawals.

Performance Thru 12/31/03:		Fund*	3 Month US Treasury Bills
	One Year	4.9%	1.2%
	Three Years	5.6	2.4
	Five Years	6.0	3.6

*Time-weighted rates of return, net of investment fees.

Composition:		
	GICs	27.6%
	SICs	66.7
	Cash Equivalents	5.7

Largest Holdings:		
	GICs-Major Issuers	
	SICs (CDC, UBS and SSB)	66.7%
	Protective Life	5.4
	SunAmerica Life	3.9
	Travelers	3.6
	Pacific Life	3.6
	Canada Life	3.5
	GE Capital Assurance	2.4

Characteristics:		
	Portfolio Assets	$120.5 M
	Number of GIC Issuers	16
	Current Yield	4.69%

Manager: T. Rowe Price Stable Asset Management, Inc. is a subsidiary of T. Rowe Price Associates located in Baltimore, Maryland.

Annual Investment Fee: Approximately 0.14%

BOND MARKET INDEX FUND

December 31, 2003

Investment Objective: The Bond Market Index Fund seeks to replicate the returns and characteristics of the Lehman Brothers Aggregate Index. Contributions to the Fund are invested in the State Street Global Advisors Passive Bond Market Index Fund.

Investment Style: The Fund employs a passive bond index strategy that is invested in a diversified portfolio and is representative of the broad bond market. Since complete replication of the Index is not economically practical, a stratified sampling approach is employed to build the Fund portfolio. The portfolio's characteristics closely resemble those of the Index.

Performance Thru 12/31/03:

	Fund*	Lehman Aggregate Index
One Year	4.1%	4.1%
Three Years	7.6	7.6
Five Years	6.6	6.6

*Time-weighted rates of return, net of investment fees.

Quality Diversification:

AAA+	33.7%	A	10.4%
AAA	6.4	BBB	11.6
AA	2.3	MBS	35.6

Sector Weghtings:

Mortgage-Backed	35.59%
Government	33.66
Corporate Bonds	26.27
Commercial MBS	2.55
Asset Backed	1.67
Cash	0.26

Characteristics:

Portfolio Assets	$5.09 B
Average Quality	AA+
Current Yield	5.26%
Mod. Adj. Duration	4.49
Convexity	-0.30

Manager: State Street Global Advisors is a subsidiary of State Street Bank and Trust Company located in Boston, Massachusetts.

Annual Investment Fee: Approximately 0.05%

CONSERVATIVE PREMIXED FUND

December 31, 2003

Investment Objective: Through a combination of 75% fixed income investments and 25% stocks, this fund is designed to provide a diversified, conservative strategy with emphasis placed on fixed income to obtain lower volatility and market risk.

Investment Style: The fund consists of a mixture of some of the other investment choices available in the Plan. The target allocation for this fund is shown in the chart at the right.

Performance Thru 12/31/03

	Fund*	Lehman Aggregate	S&P 500 Index	Money Market	Russell 2000 Stock Index	SSgA MSCI EAFE
One Year	9.6%	4.1%	28.7%	1.1%	47.3%	38.6%
Three Years	3.5	7.6	-4.1	2.4	6.3	-2.9
Five Years	N/A	6.6	-0.6	3.7	7.1	-0.1

*Time-weighted rates of return, net of investment fees.

Target Allocation:

	Target	Holdings
S&P 500 Stock Index Fund	16.0%	17.1%
Small Company Stock Fund	4.0	4.3
International Stock Fund	5.0	5.5
Bond Market Index Fund	37.5	36.7
Money Market Fund	37.5	36.4

Portfolio Analysis: Portfolio Assets $1.2 M

For additional information, please refer to the fact sheets on the individual funds: S&P 500 Stock Index Fund, Small Company Stock Fund, International Stock Fund, Bond Market Index Fund, and Money Market Fund.

Manager: S&P 500 Stock Index Fund, Bond Market Index Fund, and Money Market Fund are managed by State Street Global Advisors, Small Company Stock Fund by Dimensional Fund Advisors, and International Stock Fund by T. Rowe Price.

Annual Investment Fee: Approximately 0.13%

MODERATE PREMIXED FUND

December 31, 2003

Investment Objective: Through a combination of 50% fixed income investments and 50% stocks, this fund is designed to provide a diversified, balanced strategy with investment split evenly between equities with their higher expected returns and fixed income investments with their lower volatility and market risk.

Investment Style: The fund consists of a mixture of some of the other investment choices available in the Plan. The target allocation for this fund is shown in the chart at the right.

Performance Thru 12/31/03:

	Fund*	Lehman Aggregate	S&P 500 Index	SSgA Money Market	Russell 2000 Stock Index	MSCI EAFE
One Year	17.3%	4.1%	28.7%	1.1%	47.3%	38.6%
Three Years	2.5	7.6	-4.1	2.4	6.3	-2.9
Five Years	N/A	6.6	-0.6	3.7	7.1	-0.1

*Time-weighted rates of return, net of investment fees.

Target Allocation:

	Target	Holdings
S&P 500 Stock Index Fund	32.0%	33.4%
Small Company Stock Fund	8.0	8.3
International Stock Fund	10.0	10.7
Bond Market Index Fund	37.5	35.8
Money Market Fund	12.5	11.8

Portfolio Analysis: Portfolio Assets $40.2 M

For additional information, please refer to the fact sheets on the individual funds: S&P 500 Stock Index Fund, Small Company Stock Fund, International Stock Fund, Bond Market Index Fund and Money Market Fund,

Manager: S&P 500 Stock Index Fund, Bond Market Index Fund, and Money Market Fund are managed by State Street Global Advisors, Small Company Stock Fund by Dimenional Fund Advisors, and International Stock Fund by T. Rowe Price.

Annual Investment Fee: Approximately 0.16%

AGGRESSIVE PREMIXED FUND
December 31, 2003

Investment Objective: Through a combination of 25% fixed income investments and 75% stocks, this fund is designed to provide a diversified, aggressive strategy with the emphasis placed on equities with their higher expected returns for participants assuming greater market risk and volatility.

Investment Style: The fund consists of a mixture of some of the other investment choices available in the Plan. The target allocation for this fund is shown in the chart at the right.

Performance Thru 12/31/03:

	Fund*	Lehman Aggregate	S&P 500 Index	Russell 2000 Stock Index	MSCI EAFE
One Year	24.8%	4.1%	28.7%	47.3%	38.6%
Three Years	0.4	7.6	-4.1	6.3	-2.9
Five Years	N/A	6.6	-0.6	7.1	-0.1

*Time-weighted rates of return, net of investment fees.

Target Allocation:

	Target	Holdings
S&P 500 Stock Index Fund	48.0%	48.9%
Small Company Stock Fund	12.0	12.2
International Stock Fund	15.0	15.6
Bond Market Index Fund	25.0	23.3

Portfolio Analysis: Portfolio Assets $7.4 M

For additional information, please refer to the fact sheets on the individual funds: S&P 500 Stock Index Fund, Small Company Stock Fund, International Stock Fund and Bond Market Index Fund.

Manager: S&P 500 Stock Index Fund and Bond Market Index Fund are managed by State Street Global Advisors, Small Company Stock Fund by Dimenional Fund Advisors and International Stock Fund by T. Rowe Price.

Annual Investment Fee: Approximately 0.19%

S&P 500 Stock Index Fund

December 31, 2003

Investment Objective: The S&P 500 Stock Index Fund seeks to replicate the returns and characteristics of the S&P 500 Index. Contributions to the Fund are invested in the State Street Global Advisors Flagship Fund.

Investment Style: The S&P 500 Index is a broad index comprised of 500 common stocks representing 90 industries and over 70% of the capitalization of the U.S. equity market. Common stocks are purchased in the same capitalization weight as they appear in the S&P 500 Index.

Performance Thru 12/31/03:

	Fund*	S&P 500 Index
One Year	28.7%	28.7%
Three Years	-4.1	-4.1
Five Years	-0.1	-0.1

*Time-weighted rates of return, net of investment fees.

Composition:

Common Stocks	98.8%
Cash Equivalents/S&P 500 Futures Contracts	1.2

Major Sectors:

Financials	20.1%
Information Technology	17.1
Consumer Discretionary	13.7
Health Care	13.3

Largest Holdings:

General Electric	3.0%	Wal Mart	2.2%
Microsoft	2.9	Intel	2.0
Exxon Mobil	2.6	AIG	1.7
Pfizer	2.6	Cisco Systems	1.6
Citigroup	2.4	IBM	1.6

Portfolio Analysis:

Portfolio Assets	$22.6 B	Price/Earnings Ratio	19.5x
Number of Holdings	500	Price to Book	3.2x
Average Capitalization	$91.2 B	Yield	1.6%

Manager: State Street Global Advisors is a subsidiary of State Street Bank and Trust Company located in Boston, Massachusetts.

Annual Investment Fee: Approximately 0.03%

Large Company Growth Stock Index Fund

December 31, 2003

Investment Objective: The Large Company Growth Stock Index Fund seeks to replicate the returns and characteristics of the Russell 1000 Growth Index. Contributions to the Fund are invested in the State Street Global Advisors Russell 1000 Growth Index Strategy Fund.

Investment Style: The Russell 1000 Index represents the largest 1,000 U.S. stocks based on market capitalization. These stocks can further be classified as growth or value. The Russell 1000 Growth Index consists of the sub-category with growth characteristics. Growth characteristics consist of higher earnings and revenue increases as well as higher price to earnings ratios and price to book values.

Performance Thru 12/31/03:

	Fund*	Russell 1000 Growth Index
One Year	29.4%	29.8%
Three Years	-9.4	-9.4
Five Years	-5.1**	-5.1

*Time-weighted rates of return, net of investment fees.

**Nebraska investment in Fund since July 1999.

Composition:

Common Stocks	98.7%
Cash Equivalents/Russell 1000 Futures Contracts	1.3

Major Sectors:

Technology	27.0%
Health Care	24.2
Consumer Discretionary	15.2
Industrials	13.1

Largest Holdings:

General Electric	5.8%	Johnson & Johnson	2.9%
Pfizer	5.2	Wal Mart	2.6
Microsoft	4.6	Coca Cola	1.7
Intel	3.9	Proctor & Gamble	1.5
Cisco Systems	3.2	Home Depot	1.5

Portfolio Analysis:

Portfolio Assets	$169.5M	Price/Earnings Ratio	24.0x
Number of Holdings	587	Price to Book	4.7x
Average Capitalization	$102.1B	Yield	1.0%

Manager: State Street Global Advisors is a subsidiary of State Street Bank and Trust Company located in Boston, Massachusetts.

Annual Investment Fee: Approximately 0.05%

Large Company Value Stock Index Fund

December 31, 2003

Investment Objective: The Large Company Value Stock Index Fund seeks to replicate the returns and characteristics of the Russell 1000 Value Index. Contributions to the Fund are invested in the State Street Global Advisors Russell 1000 Value Index Strategy Fund.

Investment Style: The Russell 1000 Index represents the largest 1,000 U.S. stocks based on market capitalization. These stocks can further be classified as growth or value. The Russell 1000 Value Index consists of the sub-category with value characteristics. Value characteristics generally consist of lower price to earnings ratios and lower price to book values for stocks currently out of favor and/or stocks with lower forecasted growth rates.

Performance: Thru 12/31/03:

	Fund*	Russell 1000 Value Index
One Year	29.9%	30.0%
Three Years	1.2	1.2
Five Years	3.6**	3.6

*Time-weighted rates of return, net of investment fees.
**Nebraska investment in Fund since July 1999.

Composition:

Common Stocks	99.0%
Cash Equivalents/Russell 1000 Futures Contracts	1.0

Major Sectors:

Financials	35.1%
Consumer Discretionary	11.8
Energy	10.2
Industrials	8.0

Largest Holdings:

Exxon Mobil	5.1%	Chevron Texaco	1.7%
Citigroup	4.7	SBC	1.6
BankAmerica	2.3	Altria	1.6
Verizon	1.8	Time Warner	1.5
Wells Fargo	1.7	IBM	1.4

Portfolio Analysis:

Portfolio Assets	$474.6M	Price/Earnings Ratio	15.9x
Number of Holdings	733	Price to Book	2.3x
Average Capitalization	$62.5B	Yield	2.3%

Manager: State Street Global Advisors is a subsidiary of State Street Bank and Trust Company located in Boston, Massachusetts.

Annual Investment Fee: Approximately 0.05%

SMALL COMPANY STOCK FUND

December 31, 2003

Investment Objective: The Small Company Stock Fund's primary objective is capital appreciation through investment in domestic common stocks with small capitalization. This Fund in isolation involves high risk/reward characteristics. However, when used as a part of an overall investment plan, it provides additional diversification benefits. Contributions to the Fund are invested in the DFA Small Company Portfolio.

Investment Style: This Fund is focused on capturing the returns and diversification benefits of a broad cross-section of small U.S. companies. Equities purchased represent the smallest 8% of companies listed on the New York Stock Exchange, the NASDAQ National Market System and the American Stock Exchange combined (based on market capitalization).

Performance: Thru 12/31/03:

	Fund*	Russell 2000 Stock Index
One Year	51.4%	47.3%
Three Years	11.2	6.3
Five Years	12.2	7.1

*Time-weighted rates of return, net of investment fees.

Composition:

Common Stocks	98.3%
Cash Equivalents	1.7

Major Sectors:

Non-Durables	23.0%
Business Equipment	16.4
Business Services	13.8
Financial	13.5

Largest Holdings:

National Processing	0.18%	Arch Coal	0.15%
Protein Design	0.17	Activision	0.15
On Semiconduct	0.17	Crown Holdings	0.15
Yellow Roadway	0.15	Copart	0.15
Massey Energy	0.15	Patina Coal	0.14

Portfolio Analysis:

Portfolio Assets	$1,520 M	Price/Earnings Ratio	20.9x
Number of Holdings	3,248	Price to Book	2.13x
Average Capitalization	$838 M	Yield	0.62%

Manager: Dimensional Fund Advisors is located in Santa Monica, California.

Annual Investment Fee: Approximately 0.42%

INTERNATIONAL STOCK FUND

December 31, 2003

Investment Objective:	The International Stock Fund seeks long-term growth of capital through investment primarily in stocks of established companies based outside the United States. Contributions to the Fund are invested in the T. Rowe Price Foreign Equity Fund.			
Investment Style:	The Fund employs a blend of fundamentally based individual stock selection and general economic analysis of world economies to determine the relative attractiveness of various companies, sectors, and countries for portfolio construction.			
		Fund*		MSCI EAFE Index
Performance Thru 12/31/03:	One Year	31.7%		38.6%
	Three Years	-5.2		-2.9
	Five Years	-0.9		-0.1
	*Time-weighted rates of return, net of investment fees.			
Country Diversification:	Europe (ex-UK)	45.2%	Americas	2.7%
	UK	24.3	Middle East	0.1
	Japan	18.4	Reserves	1.2
	Pacific (ex-Japan)	8.1		
Major Sectors:	Financials	23.4%	Energy	7.6
	Consumer Discretionary	18.3	Industrials	7.5
	Telecommunications	10.4	Information Technology	7.2
	Health Care	9.5	Materials	4.0
	Consumer Staples	9.3	Utilities	1.6
Largest Holdings:	GlaxoSmithKline	3.4%	BNP Paribas	1.8%
	Total	3.0	Compass	1.5
	Vodaphone Group	2.9	Adecco	1.5
	Royal Bank of Scotland	2.4	Shell T&T/Royal Dutch	1.4
	Nestle	2.1	Rio Tinto	1.4
Portfolio Analysis:	Portfolio Assets	$1.0B	P/E Ratio	17.3x
	Number of Holdings	198	Number of Countries	29
	Average Capitalization	$29.36B	Emerging Markets	7.9%
Manager:	T. Rowe Price International, Inc. is a subsidiary of T. Rowe Price Associates located in Baltimore, Maryland.			
Annual Investment Fee:	Approximately 0.77%			

Historical Investment Returns

NEBRASKA STATE EMPLOYEES RETIREMENT SYSTEM

December 31, 2003

TIME-WEIGHTED RATES OF RETURN

	MONEY MARKET FUND	STABLE VALUE FUND	BOND MARKET INDEX FUND	S & P 500 STOCK INDEX FUND	LARGE COMPANY GROWTH STOCK INDEX FUND	LARGE COMPANY VALUE STOCK INDEX FUND	SMALL COMPANY STOCK FUND
Quarter	0.25%	1.13%	0.25%	12.19%	10.46%	14.18%	15.28%
YTD	1.06	4.92	4.10	25.66	29.40	29.94	51.44
2003	1.06	4.92	4.10	25.66	29.40	29.94	51.44
2002	1.56	5.62	10.33	-22.15	-27.84	-15.57	-19.41
2001	4.34	6.15	8.39	-11.92	-20.39	-5.64	12.65
2000	6.50	6.45	11.72	-9.10	-22.33	9.36	2.45
1999	4.75	6.84	-0.85	21.04	33.05	7.47	25.41
1 Year	1.06%	4.92%	4.10%	25.65%	29.40%	29.94%	51.44%
3 Year	2.41	5.56	7.57	-4.09	-9.42	1.16	11.20
5 Year	3.69	6.00	6.63	-0.59	-5.13	3.61	12.15
10 Year	N/A	6.39	N/A	N/A	N/A	N/A	12.14

	INTERNATIONAL STOCK FUND	CONSERVATIVE PREMIXED FUND	MODERATE PREMIXED FUND	AGGRESSIVE PREMIXED FUND	EMPLOYER CONSERVATIVE FUND	EMPLOYER MODERATE FUND	EMPLOYER AGGRESSIVE FUND
Quarter	14.85%	3.46%	6.65%	9.90%	3.45%	6.66%	9.85%
YTD	31.65	9.63	17.26	24.83	10.19	17.82	25.83
2003	31.65	9.63	17.26	24.83	10.19	17.82	25.83
2002	-17.35	-0.85	-6.46	-13.39	-0.69	-6.90	-14.44
2001	-21.63	2.09	-1.83	-6.51	2.74	-0.65	-4.56
2000	-16.54	4.04	-0.61	-4.65	3.75	0.05	-3.83
1999	34.50	N/A	N/A	N/A	N/A	N/A	N/A
1 Year	31.65%	9.63%	17.26%	24.83%	10.19%	17.82%	25.83%
3 Year	-5.17	3.52	2.50	0.36	3.95	2.90	0.91
5 Year	-0.87	N/A	N/A	N/A	N/A	N/A	N/A
10 Year	3.86	N/A	N/A	N/A	N/A	N/A	N/A

MAJOR INDICES:	S & P 500	Russell 2000	MSCI EAFE International Stock	Lehman Aggregate (Bonds)	91-Day Treasury Bill	CPI (Inflation)	
Quarter	12.19%	14.53%	17.05%	0.32%	0.25%	-0.49%	
YTD	26.69	47.25	35.55	4.11	1.15	1.85	
1 Year	26.69%	47.25%	35.55%	4.11%	1.15%	1.85	
3 Year	-4.06	6.27	-2.85	7.57	2.44	1.94	
5 Year	-0.59	7.13	-0.01	6.62	3.60	2.37	
10 Year	11.06	9.47	4.47	6.95	4.45	2.37	

1. Returns are net of investment management fees.
2. The 1, 3, 5, and 10 - year rates of return are annualized rates of return of the funds through December 31, 2003.
3. Past performance is not indicative of future performance.

Rates of return are for the investment vehicle currently used. Following are the dates of NE fund participation: Stable Value Fund - 1996;

NEBRASKA COUNTY EMPLOYEES RETIREMENT SYSTEM

December 31, 2003

TIME-WEIGHTED RATES OF RETURN

	MONEY MARKET FUND	STABLE VALUE FUND	BOND MARKET INDEX FUND	S & P 500 STOCK INDEX FUND	LARGE COMPANY GROWTH STOCK INDEX FUND	LARGE COMPANY VALUE STOCK INDEX FUND	SMALL COMPANY STOCK FUND
Quarter	0.25%	1.13%	0.25%	12.19%	10.46%	14.18%	15.28%
YTD	1.06	4.92	4.10	28.66	29.40	29.94	51.44
2003	1.06	4.92	4.10	28.66	29.40	29.94	51.44
2002	1.86	5.62	10.33	-22.15	-27.84	-15.57	-19.41
2001	4.34	6.15	8.39	-11.92	-20.39	-5.64	12.68
2000	6.50	6.48	11.72	-9.10	-22.33	9.36	2.45
1999	4.78	6.84	-0.88	21.04	33.08	7.47	25.41
1 Year	1.06%	4.92%	4.10%	28.66%	29.40%	29.94%	51.44%
3 Year	2.41	5.56	7.57	-4.09	-9.42	1.16	11.20
5 Year	3.69	6.00	6.63	-0.59	-5.13	3.61	12.15
10 Year	N/A	6.59	N/A	N/A	N/A	N/A	12.14

	INTERNATIONAL STOCK FUND	CONSERVATIVE PREMIXED FUND	MODERATE PREMIXED FUND	AGGRESSIVE PREMIXED FUND	EMPLOYER CONSERVATIVE FUND	EMPLOYER MODERATE FUND	EMPLOYER AGGRESSIVE FUND
Quarter	14.85%	3.46%	6.65%	9.90%	3.45%	6.66%	9.88%
YTD	31.65	9.63	17.26	24.83	10.19	17.82	25.83
2003	31.65	9.63	17.26	24.83	10.19	17.82	25.83
2002	-17.35	-0.88	-6.46	-13.39	-0.69	-6.90	-14.44
2001	-21.63	2.09	-1.83	-6.51	2.74	-0.68	-4.56
2000	-16.54	4.04	-0.61	-4.65	3.75	0.05	-3.83
1999	34.50	N/A	N/A	N/A	N/A	N/A	N/A
1 Year	31.65%	9.63%	17.26%	24.83%	10.19%	17.82%	25.83%
3 Year	-5.17	3.52	2.50	0.36	3.98	2.90	0.91
5 Year	-0.87	N/A	N/A	N/A	N/A	N/A	N/A
10 Year	3.86	N/A	N/A	N/A	N/A	N/A	N/A

MAJOR INDICES:	S & P 500	Russell 2000	MSCI EAFE International Stock	Lehman Aggregate (Bonds)	91-Day Treasury Bill	CPI (Inflation)	
Quarter	12.19%	14.53%	17.08%	0.32%	0.26%	-0.49%	
YTD	28.69	47.25	38.58	4.11	1.15	1.88	
1 Year	28.69%	47.25%	38.58%	4.11%	1.15%	1.88	
3 Year	-4.06	6.27	-2.85	7.57	2.44	1.94	
5 Year	-0.59	7.13	-0.01	6.62	3.60	2.37	
10 Year	11.06	9.47	4.47	6.95	4.45	2.37	

1. Returns are net of investment management fees.
2. The 1, 3, 5, and 10 - year rates of return are annualized rates of return of the funds through December 31, 2003.
3. Past performance is not indicative of future performance.

Rates of return are for the investment vehicle currently used. Following are the dates of NE fund participation: Stable Value Fund - 1996;

SUMMARY OF PLAN ASSETS

STATE OF NEBRASKA EMPI

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Summary of Assets fo

Fund Name	Beginning Balance 01/01/03	Deposits	Withdraw
Employer Conservative Fun	$35,772,275.34	$1,530,716.08	($1,863,4
Employer Aggressive Fund	$31,543,688.17	$4,188,997.70	($771,5
Employer Moderate Fund	$364,945,778.07	$19,116,118.48	($9,875,5
Stable Fund	$140,483,606.53	$4,431,046.99	($4,567,5
Money Market Fund	$2,527,738.10	$219,140.89	($279,5
S & P 500 Stock Index	$69,297,437.90	$5,553,134.48	($1,695,5
Small Co. Stock Fund	$7,064,554.91	$953,500.42	($150,2
International Stock Fund	$3,475,821.98	$477,483.25	($121,5
Bond Market Index	$7,641,826.99	$459,404.21	($189,7
Lg. Co. Growth Stock Index	$5,607,811.22	$857,755.13	($167,3
Lg. Co. Value Stock Index	$3,753,609.59	$550,745.02	($135,0
Conservative Premixed Fun	$799,605.16	$126,092.61	($36,2
Aggressive Premixed Fund	$3,469,424.74	$615,860.86	($96,0
Moderate Premixed Fund	$31,420,582.18	$1,682,099.88	($705,8
Total Fund	$707,803,760.88	$40,762,096.00	($20,655,2

LOYEES RETIREMENT PLAN				
t 3310-01				
ontribution				
or 01/01/03 to 12/31/03				
	Net		Net	Ending Balance
als	Transfers	Expenses	Earnings	12/31/2003
41.65)	($19,788,409.35)	($393,844.08)	$1,589,929.04	$16,847,225.38
61.17)	($533,848.75)	($24,605.38)	$7,981,812.07	$42,384,482.64
03.61)	($110,195,371.83)	($405,269.43)	$46,270,140.72	$309,855,892.40
36.14)	($57,588,036.90)	($49,338.68)	$4,063,858.18	$86,773,599.98
22.38)	($1,377,727.92)	($1,679.34)	$12,454.02	$1,100,403.37
20.13)	($14,536,528.10)	($33,007.28)	$16,248,597.55	$74,834,114.42
60.81)	$577,758.94	($6,265.61)	$3,596,990.94	$12,036,278.79
71.75)	$288,839.55	($2,677.01)	$1,143,231.93	$5,261,127.95
81.56)	($5,105,093.96)	($2,980.81)	$145,244.63	$2,948,619.50
98.14)	($418,401.13)	($4,437.66)	$1,570,500.20	$7,445,829.62
84.86)	$618,149.00	($2,849.01)	$1,183,942.27	$5,968,512.01
43.90)	($375,883.10)	($962.19)	$48,172.16	$560,780.74
62.26)	($448,334.90)	($4,052.46)	$793,680.58	$4,330,516.56
00.71)	($9,394,495.80)	($12,836.22)	$3,895,714.09	$26,885,263.42
89.07)	($218,277,384.25)	($944,805.16)	$88,544,268.38	$597,232,646.78

STATE OF NEBRASKA EMPLO			
Contract 3			
Cash Bal			
Summary of Assets for (			
	Beginning Balance		
Fund Name	01/01/03	Deposits	Withdrawals
Cash Balance Fund	$0.00	$18,375,769.78	($7,893,724
Total Fund	$0.00	$18,375,769.78	($7,893,724

NEBRASKA COUNTY EMPLOY			
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Cash Bal			
Summary of Assets for (			
	Beginning Balance		
Fund Name	01/01/03	Deposits	Withdrawals
Cash Balance Fund	$0.00	$6,610,694.41	($3,060,816.6
Total Fund	$0.00	$6,610,694.41	($3,060,816.6

OYEES RETIREMENT PLAN					
310-01					
lance					
01/01/03 to 12/31/03					
	Net		Net	Ending Balance	
s	Transfers	Expenses	Earnings	12/31/2003	
.86)	$218,277,384.25	($112,189.31)	$11,137,024.99	$239,784,264.85	
.86)	$218,277,384.25	($112,189.31)	$11,137,024.99	$239,784,264.85	

YEES RETIREMENT PLAN				
135-01				
lance				
01/01/03 to 12/31/03				
	Net		Net	Ending Balance
	Transfers	Expenses	Earnings	12/31/03
5)	$58,326,074.29	($56,988.27)	$2,982,901.56	$64,801,865.34
5)	$58,326,074.29	($56,988.27)	$2,982,901.56	$64,801,865.34

NEBRASKA COUNTY EM			
Cont			
Define			
Summary of Asset			
Fund Name	Beginning Balance 01/01/03	Deposits	Wit
Employer Conservative Func	$7,400,177.55	$556,599.92	($
Employer Aggressive Fund	$4,860,328.52	$984,990.60	($
Employer Moderate Fund	$91,567,357.00	$5,441,056.68	($3
Stable Fund	$34,363,240.29	$1,339,897.15	($1
Money Market Fund	$499,186.88	$98,275.60	(
S & P 500 Stock Index	$17,689,876.83	$1,566,845.97	($
Small Co. Stock Fund	$1,432,785.33	$241,524.82	(
International Stock Fund	$608,081.41	$118,473.04	(
Bond Market Index	$1,568,193.30	$130,357.30	(
Lg. Co. Growth Stock Index	$1,068,702.33	$229,853.61	(
Lg. Co. Value Stock Index	$677,992.30	$137,687.59	(
Conservative Premixed Fund	$165,368.69	$54,057.47	(
Aggressive Premixed Fund	$748,184.78	$239,942.36	(
Moderate Premixed Fund	$9,024,775.19	$585,702.50	($
Total Fund	$171,674,250.40	$11,725,264.61	($7

IPLOYEES RETIREMENT PLAN

ract 3135-01

d Contribution

ts for 01/01/03 to 12/31/03

	Net		Net	Ending Balance
hdrawals	Transfers	Expenses	Earnings	12/31/03
$347,505.65)	($4,356,680.03)	($80,093.60)	$336,777.49	$3,509,275.68
$179,695.02)	($115,719.60)	($7,817.85)	$1,234,161.18	$6,776,247.83
,906,733.80)	($30,112,123.42)	($146,956.98)	$11,050,466.74	$73,893,066.22
,592,221.77)	($14,194,876.96)	($20,040.98)	$982,823.65	$20,878,821.38
($28,127.23)	($198,989.97)	($1,201.18)	$3,533.21	$372,677.31
$558,121.65)	($4,808,073.51)	($14,184.07)	$3,826,306.75	$17,702,650.32
($69,626.44)	($56,740.98)	($2,416.98)	$644,699.05	$2,190,224.80
($28,252.95)	($11,787.02)	($1,061.03)	$183,295.87	$868,749.32
($84,833.92)	($971,314.14)	($1,261.18)	$33,509.14	$674,650.50
($48,071.47)	($139,846.13)	($1,778.36)	$283,389.26	$1,392,249.24
($15,110.40)	$33,657.63	($1,143.02)	$209,596.64	$1,042,680.74
($15,991.97)	($39,378.60)	($581.18)	$11,459.83	$174,934.24
($17,272.70)	($204,485.61)	($2,260.20)	$165,581.65	$929,690.28
$400,853.89)	($3,149,707.64)	($6,570.53)	$1,027,021.63	$7,080,367.26
,292,418.86)	($58,326,065.98)	($287,367.14)	$19,992,622.09	$137,486,285.12

STATE OF NEBRASKA EMP

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Summary of Assets f

Fund Name	Beginning Balance 01/01/03	Deposits	Withdraw
Employer Conservative Fun	$35,772,275.34	$1,530,716.08	($1,863,
Employer Aggressive Fund	$31,543,688.17	$4,188,997.70	($771,
Employer Moderate Fund	$364,945,778.07	$19,116,118.48	($9,875,
Stable Fund	$140,483,606.53	$4,431,046.99	($4,567,
Money Market Fund	$2,527,738.10	$219,140.89	($279,
S & P 500 Stock Index	$69,297,437.90	$5,553,134.48	($1,695,
Small Co. Stock Fund	$7,064,554.91	$953,500.42	($150,
International Stock Fund	$3,475,821.98	$477,483.25	($121,
Bond Market Index	$7,641,826.99	$459,404.21	($189,
Lg. Co. Growth Stock Index	$5,607,811.22	$857,755.13	($167,
Lg. Co. Value Stock Index	$3,753,609.59	$550,745.02	($135,
Conservative Premixed Fun	$799,605.16	$126,092.61	($36,
Aggressive Premixed Fund	$3,469,424.74	$615,860.86	($96,
Moderate Premixed Fund	$31,420,582.18	$1,682,099.88	($705,
Total Fund	$707,803,760.88	$40,762,096.00	($20,655,

PLOYEES RETIREMENT PLAN

ct 3310-01

Contribution

for 01/01/03 to 12/31/03

	Net		Net	Ending Balance
wals	Transfers	Expenses	Earnings	12/31/2003
441.65)	($19,788,409.35)	($393,844.08)	$1,589,929.04	$16,847,225.38
561.17)	($533,848.75)	($24,605.38)	$7,981,812.07	$42,384,482.64
503.61)	($110,195,371.83)	($405,269.43)	$46,270,140.72	$309,855,892.40
536.14)	($57,588,036.90)	($49,338.68)	$4,063,858.18	$86,773,599.98
522.38)	($1,377,727.92)	($1,679.34)	$12,454.02	$1,100,403.37
520.13)	($14,536,528.10)	($33,007.28)	$16,248,597.55	$74,834,114.42
260.81)	$577,758.94	($6,265.61)	$3,596,990.94	$12,036,278.79
571.75)	$288,839.55	($2,677.01)	$1,143,231.93	$5,261,127.95
781.56)	($5,105,093.96)	($2,980.81)	$145,244.63	$2,948,619.50
398.14)	($418,401.13)	($4,437.66)	$1,570,500.20	$7,445,829.62
084.86)	$618,149.00	($2,849.01)	$1,183,942.27	$5,968,512.01
243.90)	($375,883.10)	($962.19)	$48,172.16	$560,780.74
062.26)	($448,334.90)	($4,052.46)	$793,680.58	$4,330,516.56
800.71)	($9,394,495.80)	($12,836.22)	$3,895,714.09	$26,885,263.42
289.07)	($218,277,384.25)	($944,805.16)	$88,544,268.38	$597,232,646.78

GLOSSARY

GLOSSARY

Aggressive – An investment strategy characterized by a willingness to accept above-average risk in pursuit of above-average returns. Usually favors stocks over bonds, especially stocks of rapidly growing companies.

Asset – Any item of economic value. Examples are cash, stocks, bonds, U.S. Treasury notes, accounts receivable, inventory, office equipment, a house, a car, and other property.

Asset Allocation – The process of dividing investments among different kinds of assets, such as stocks, bonds, real estate and cash, to optimize the risk/reward tradeoff based on an individual's specific situation and goals. Often more conservative investments (less volatity - lower returns) to balance more aggressive investments (more volatility - more returns.)

Balanced Fund – A mutual fund that buys a combination of common stocks, preferred stocks, bonds, and short-term bonds, to provide both income and capital appreciation while avoiding excessive risk.

Bankers Acceptances - A short-term credit investment which is created by a non-financial firm and whose payment is guaranteed by a bank. These may often offer a higher rate of return.

Bear Market – A prolonged period of falling prices, usually by 20% or more, accompanied by widespread pessimism.

Benchmark – A standard, a reference point used for comparison. For example, many stock funds are compared to the performance of the S & P 500. Bond funds are compared to a bond index.

Book Value – A company's common stock equity as it appears on a balance sheet, equal to total assets minus liabilities, preferred stock, and intangible assets such as goodwill. Also, the value of an asset as it appears on a balance sheet, equal to cost minus accumulated depreciation. Book value often differs substantially from market price, especially in knowledge industries such as high-tech.

Bull Market – A prolonged period of rising prices, usually by 20% or more accompanied by wide spread optimism.

Bonds - A debt security issued for a period of more than one year with the purpose of raising money by borrowing. The Federal government, states, cities, corporations, and many other types of institutions sell bonds to raise money. A bond is a promise to repay the principal along with interest on a specified date (maturity).

Capital – Combination of liquid and fixed assets available to operate a business.

Cash Equivalents – Highly liquid, very safe investments which can be easily converted into cash, such as Treasury Bills and money market funds.

Certificates of Deposit (CD) – Short or medium term, interest-bearing, FDIC-insured investments offered by banks, savings and loans, and can be purchased through a brokerage firm. CDs offer higher rates of return than most liquid investments, in exchange for tying up invested money for the duration of the certificate's maturity. Money removed before maturity is subject to a penalty. CDs are low risk, low return investments, and are also known as "time deposits", because the account holder has agreed to keep the money in the account for a specified amount of time, anywhere from three months to six years.

Commercial Paper – An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory. Maturities typically range from 2 to 50 days.

Corporate Bonds – A bond issued by a corporation; a corporation borrowing money with the promise to pay back typically at a higher interest rate.

Diversified – An investment is said to be "diversified" if it owns a number of different investments or asset classes, in order to spread risk.

Dollar Cost Averaging – An investment strategy designed to reduce volatility in which securities, typically mutual funds, are purchased in fixed dollar amounts at regular intervals, regardless of what direction the market is moving.

Equities – Same as stock; indicates ownership, i.e. equity in your home – or equity shares (stock) in a company.

Fixed Income – A security that pays a specific interest rate, such as a bond, money market instrument, or preferred stock.

Growth Stock – Stock of a company which is growing earnings and/or revenue faster than its industry or the overall market. Such companies usually pay little or no dividends, preferring to use the income instead to finance further expansion.

Guaranteed Investment Contracts (GIC) – Debt instrument issued by an insurance company, usually in a large denomination, and often bought for retirement plans. The interest rate paid is guaranteed, but the principal is not.

IRA – An Individual Retirement Account that permits individuals to set aside up to $3,000 per year, with earnings tax-deferred until withdrawals begin at age 59½ (earlier with a 10% penalty) or later. Individuals who are at age 50 or older can set aside up to $3,500 a year. Only those who do not participate in a pension plan at work or who do participate and meet certain income guidelines can make deductible contributions to an IRA. All others can make contributions to an IRA on a non-deductible basis. Annual distributions must start at age 70½.

Inflation – The overall general upward price movement of goods and services in an economy, usually as measured by the Consumer Price Index and the Producer Price Index.

Liquidity – The ability of an investment asset to be converted into cash quickly.

Market Risk – Risk which is common to an entire class of assets. Risk that cannot be eliminated by diversification.

Passive Bond – Bond which is issued at less than full face value, pays no interest until maturity, but at maturity is redeemed at its full face value, such as Series E Bonds or Zero Coupon Bonds.

Performance – The results of activities of an organization or investment over a given period of time.

Portfolio – A collection of investments all owned by the same individual or organization.

Preferred Stock – Capital stock which provides a specific fixed dividend that is paid before any dividends are paid to common stock holders, and which takes precedence over common stock in the event of liquidation.

Preservation of Capital – A conservative investment strategy characterized by a desire to avoid risk of loss of municipal. Does not protect against purchasing power loss.

Price to Earnings Ratio – The most common measure of how expensive a stock is. Equivalently, the cost an investor must pay in a given stock per dollar of current annual earnings. For example, a stock selling at $12 a share that has earnings of $1 per share will have a price to earnings ratio (P/E) of 12 times earnings. Another way to look at it is, you are paying $12 to receive $1 of expected earnings.

Purchasing Power – The value of money, as measured by the quantity and quality of products and services it can buy, frequently related as the Consumer Price Index (CPI).

Repurchase Agreements – A contract in which the seller of debt securities, usually Treasury Bills, agrees to buy them back at a specified time and price.

Risk Tolerance – An investor’s ability to handle declines in the value of his/her portfolio while waiting for them to increase.

Roth IRA – A new type of IRA, established in the Taxpayer Relief Act of 1997, which allows taxpayers to save for retirement while allowing the savings to grow tax-free but withdrawals, subject to certain rules, are not taxed at all. Contributions are made after tax. Withdrawals of principal and earnings are tax free. Maximum annual contributions are $3,000 per year and phasing up to $4,000 per year in 2005 and $5,000 in 2008.

Security – An investment instrument, other than an insurance policy or fixed annuity, issued by a corporation, government, or other organization which offers evidence of debt (borrowing) or equity (ownership).

Short-term – Usually one year or less.

Stability – Absence of volatility; usually desirable, compared to the market as a whole.

Synthetic Investment Contract – A variety of stable value products which substitute for GICs in defined contribution plans and offer book value participant withdrawals. The contract includes an asset ownership component and some form of book value "wrap," maintaining participant accounts at book value. The assets backing the contract, usually high-grade securities, are owned by the plan and held in a trust account or custody account for the plan. The plan sponsor relies on the credit of the wrap issuer to support the book value guarantee.

Tax Deferred – Income whose taxes and earnings can be postponed until a later date. Examples include IRAs, 401(k)s, Keogh Plans, annuities and Savings Bonds.

Time Deposits – Savings account or CD held in a financial institution, usually a bank, for a fixed term or with the understanding that the customer can withdraw only by giving advanced notice.

Under Performance – An investment whose return has trailed that of other similar investments as measured by a benchmark.

Value Stock – A stock that may represent an older company, with steadier growth of earning. Often these companies do not need to reinvest all of the earnings back into the company so they pay the shareholders a cash dividend. Value stocks typically sell at lower prices in relation to their earnings than do growth stocks.

Volatility – The relative rate at which the price of a security moves up and down.

Wrap Contract – A contract that guarantees principal and accumulated interest, payment of an interest rate for a specified period of time, and participant-initiated withdrawals and transfers at face value. In synthetic GICs, the selection of the wrap provider is generally made separately from the selection of the investment management services for the underlying assets.

Yield – The annual rate of return on an investment, expressed as a percentage. For bonds and notes, it is the amount paid divided by the market price. For securities, it is the annual dividends divided by the purchase price. Example:

Annual Dividend	$ 1.00
Price of Stock	÷ $12.00
Yields	1.2%

Another example of yield is the interest on a bank certificate of deposit. If you deposit $1,000 and one year later your C.D. is worth $1,200, your yield or rate of return was 2%.